

## Message Text

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ACTION PM-04

INFO OCT-01 ARA-06 ISO-00 MC-02 AID-05 IGA-02 NSC-05 SP-02

SS-15 EB-07 COME-00 TRSE-00 CIAE-00 INR-07 NSAE-00

H-02 L-03 ACDA-05 OMB-01 IO-11 STR-04 FRB-03 CIEP-01

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 703

SECDEF WASHDC

INFO USCINCSO

C O N F I D E N T I A L MONTEVIDEO 0649

E.O. 11652: GDS

TAGS: MASS; UY

SUBJECT: FY 1977 MILITARY SECURITY ASSISTANCE

REF: STATE 036160 (DTG 131859Z FEB 76)

1. THAT WHICH FOLLOWS RESPONDS TO PARA 6, REFTEL.

2. CONTINUED U.S. SECURITY ASSISTANCE IS REQUIRED IN FY 77 TO  
ENABLE THE URUGUAYAN ARMED FORCES TO MAINTAIN INTERNAL SECURITY  
AND MAINTAIN EXISTING EQUIPMENT AND CARRY OUT A VERY MODEST MODER-  
NIZATION PROGRAM. THE ARMED FORCES HAVE PRIMARY RESPONSIBILITY  
FOR COUNTERING TERRORIST ACTIVITY WHICH, WHILE CONTAINED, HAS NOT  
BEEN ELIMINATED. WITHOUT OUTSIDE ASSISTANCE, LARGELY U.S., THEY  
WOULD BE HINDERED IN THIS EFFORT AND UNABLE TO CARRY OUT EVEN A  
MODEST MODERNIZATION. IN FACT, WITH THE ELIMINATION OF MAP/M, MOST  
FMS CREDITS WILL HAVE TO BE USED FOR FOS AND NON-TACTICAL VEHICLES,  
LEAVING LITTLE FOR MODERNIZATION OF ANY SORT.

3. OUR SECURITY ASSISTANCE SERVES POLITICAL OBJECTIVES AS WELL.  
THE INFLUENCE OF THE ARMED FORCES PERMEATES BOTH POLICYMAKING AND  
PROGRAM IMPLEMENTATION LEVELS THROUGHOUT GOVERNMENT AND NO SUB-  
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STANTIAL REDUCTION IN THIS INFLUENCE IS IN SIGHT. CONSEQUENTLY,

OUR DAY TO DAY RELATIONS WITH ALL ELEMENTS OF GOVERNMENT DEPEND TO SOME DEGREE ON OUR RELATIONS WITH THE MILITARY, RELATIONS WHICH WOULD BE ADVERSELY AFFECTED BY A FURTHER REDUCTION OF MAP. THE REACTION TO THE DISCONTINUATION OF MAP/M AT THE END OF THE CURRENT FISCAL YEAR MAY BE STRONG, ALTHOUGH WE HOPE THE OFFER TO AUGMENTED CREDITS (STATE 040647) MAY SOFTEN IT. ANY FURTHER DRASTIC CHANGE IN MAP COULD BRING THE MILITARY TO QUESTION THE GOU'S POLICY OF SUPPORT FOR IMPORTANT U.S. INITIATIVES IN INTERNATIONAL FORUMS, THUS JEOPARDIZING A MAJOR U.S. INTEREST IN URUGUAY.

4. THE GOU'S ECONOMIC POLICY REFORMS OF 1974/75 HAVE SIGNIFICANTLY IMPROVED ITS DEVELOPMENT PROSPECTS, HAVE ELICITED SUBSTANTIAL ECONOMIC ASSISTANCE FROM THE INTERNATIONAL FINANCE AND DEVELOPMENT COMMUNITIES AND HAVE ENHANCED ITS INTERNATIONAL CREDIT STANDING.

5. IN LIGHT OF URUGUAY'S IMPROVED DEVELOPMENT PROSPECTS AND INCREASED AVAILABILITY OF OTHER FINANCIAL AND TECHNICAL ASSISTANCE, NO NEW FY 1977 AID ACTIVITIES ARE PLANNED. IMPLEMENTATION OF THREE AID LOANS FOR AGRICULTURE AND AGRI-INDUSTRY AUTHORIZED IN FY 1975, AND TOTALING \$11.85 MILLION, ARE CONTINUING. A PHASE OUT OF THE AID PROGRAM IN URUGUAY SHOULD BEGIN IN FY 1978. AID STRATEGY IS DESIGNED TO ASSIST THE GOU THROUGH ITS DIFFICULT TRANSITION TO ECONOMIC RECOVERY AND GROWTH WHICH IS EXPECTED TO BE WELL UNDERWAY BY 1978. THE PRINCIPAL OBJECTIVE OF THE AID PROGRAM HAS BEEN TO ENCOURAGE AND ASSIST THE GOU TOWARD IMPROVING ITS ECONOMIC PERFORMANCE ORIENTED TOWARD EXPANDING PRODUCTION FOR EXPORT ON WHICH ECONOMIC AND SOCIAL PROGRESS DEPEND.

6. THE IMF WILL CONTINUE TO PROVIDE STANDBY AN COMPENSATORY FINANCING CREDITS TO URUGUAY IN 1976/77 TO ASSIST IT TO COVER ITS EXPECTED BALANCE OF PAYMENTS DEFICITS. THE IBRD IS SIGNIFICANTLY INCREASING ITS LENDING TO URUGUAY IN THE AGRICULTURE, INDUSTRIAL, TRANSPORTATION AND ENERGY SECTORS. ASSUMING CONTINUATION OF SATISFACTORY GOU ECONOMIC PERFORMANCE, THE IBRD HAS PLEDGED AN ANNUAL AVERAGE LENDING LEVEL OF \$50 MILLION TO URUGUAY OVER A FIVE-YEAR PERIOD (1975-80).

7. THE IDB HAS AN EXTENSIVE LENDING PORTFOLIO IN URUGUAY IN THE AREAS OF EDUCATION, SANITATION, AGRICULTURE, INDUSTRY, FISHING, ENERGY, TRANSPORTATION AND FOR BASIC DEVELOPMENT INFRASTRUCTURE.  
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THE IDB AND IBRD TOGETHER SHOULD PROVIDE THE BULK OF URUGUAY'S DEVELOPMENT ASSISTANCE REQUIREMENTS IN THE YEARS AHEAD. TECHNICAL ASSISTANCE IN A VARIETY OF FIELDS IS BEING PROVIDED BY THE UNDP, OAS, AID, AS WELL AS THE MULTILATERAL AGENCIES.

8. GIVEN URUGUAY'S IMPROVED INTERNATIONAL CREDIT STANDING, IT HAS RECEIVED SUBSTANTIAL LOANS FROM THE FOREIGN BANKING COMMUNITY TO COVER BALANCE OF PAYMENTS DEFICITS. URUGUAY HAS IMPORTANT BILATERAL

TRADE AND CREDIT AGREEMENTS WITH ARGENTINA, BRAZIL, PARAGUAY, AND BOLIVIA. IT HAS BILATERAL CREDIT AGREEMENTS WITH THE FEDERAL REPUBLIC OF GERMANY, SOUTH AFRICA, ITALY, SPAIN, AMONG OTHERS.

9. AS URUGUAY'S STABILIZATION/DEVELOPMENT PROGRAM MAKES PROGRESS TOWARD ECONOMIC RECOVERY, THE COUNTRY WILL BE ABLE TO COUNT ON CONTINUING ASSISTANCE FROM THE INTERNATIONAL FINANCIAL AND DEVELOPMENT AGENCIES. MOREOVER, ECONOMIC RECUPERATION SHOULD PERMIT URUGUAY TO FINANCE AN INCREASING SHARE OF ITS DEVELOPMENT REQUIREMENTS FROM INTERNAL SAVINGS.

10. THE SECURITY ASSISTANCE PROGRAM CONTEMPLATED DOES NOT SIGNIFICANTLY DIVERT GOU RESOURCES FROM DEVELOPMENT PURPOSES.

11. GOU NEITHER PURCHASES NOR IS GRANTED MILITARY EQUIPMENT FROM THIRD COUNTRIES. IT DID, SOME TIME AGO, PURCHASE NON-TACTICAL VEHICLES FROM BRAZIL AND RECEIVES VERY LIMITED TRAINING ASSISTANCE FROM ARGENTINA.

12. DESPITE DEPARTMENT'S OVERALL POLICY OF PREFERRING TO EXTEND FMS CREDIT FOR INVESTMENT (CAPITAL) ITEMS, EMBASSY WISHES TO REITERATE SIGNIFICANCE IT ATTACHES TO USING FMS CREDITS FOR FOS. IN LINE WITH OUR OVERALL ECONOMIC GOALS IN URUGUAY, WE ARE EMPHASIZING MAINTENANCE OF EQUIPMENT ON HAND AND DISCOURAGING CAPITAL INVESTMENT WITH TERMINATION OF MAPM, WHICH WAS USED TO GREAT EXTENT FOR O & M, USE OF FMS CREDITS FOR FOS BECOMES MORE IMPORTANT THAN EVER IF PRESENT EQUIPMENT IS TO BE MAINTAINED. DEPARTMENT SUPPORTED THIS POSITION LAST YEAR AND WE URGE CONTINUATION.  
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